considering it, attention should be directed to the circumstance that we have so far financed capital expenditure on productive and non-productive schemes amounting to more than Rs four crores, besides advancing Rs 37·59 lakhs for the fourth stage works of the Cochin Harbour and for the purchase of Dredging Plant for that Port. Since most of the capital works already taken up are nearing completion or will be completed by the close of the next year and the final payment of the balance of the loan towards the fourth stage works of the Cochin Harbour is expected to be made next year, we may not have to draw much, if at all, from the Government account balance in future. On the other hand, the Government balance would be increased by Rs 15 lakhs when the mofussil water supply schemes are completed, since one half of the cost of the scheme to be borne by the Municipal Councils is to be treated as a loan to the Councils to be repaid in annual instalments at 4½ per cent. interest per annum.

WAYS AND MEANS.

44. With a view to finance our capital schemes in progress, both productive and non-productive, it was proposed this time last year, to withdraw Rs 25·44 lakhs from our surplus investments. But as the progress of expenditure did not go up to the anticipated level, it was found necessary to withdraw only Rs 5 lakhs during the year. Our working balance in the Treasuries and the Imperial Bank is expected to amount to Rs 45·92 lakhs at the close of the current year. During the next year we have to finance productive and non-productive capital expenditure to the extent of Rs 54·25 lakhs. The Government account is expected to bring in Rs 5·20 lakhs and the Debt Head and Fund transactions are expected to result in an incoming of Rs 19·32 lakhs. It may become necessary to provide funds to the extent of Rs 25 lakhs. Since these funds are not immediately required, it is proposed to provide them according to the progress of the works from our surplus investments as a temporary measure. It is therefore proposed to withdraw next year Rs 25 lakhs from our surplus investments to maintain sufficient working balance.

THE PAST DECADE—A RETROSPECT.

45. I have thus far attempted in as brief a manner as possible to picture to the House the financial condition of the State in the years 1113, 1114 and 1115. The actuals of 1113 are satisfactory; the revised figures for the current year are hopeful and the anticipations for the coming year are re-assuring. Yet, I am constrained to seek your indulgence Sir, for a few moments more so that I may present to you as succinctly as possible the financial position of the State during the past decade. Such a retrospect has become imperatively necessary to remove the misapprehensions and misconceptions in the public mind which constitute the inevitable sequence to the irresponsible and tendentious utterances and writings, both here and abroad, of persons who should know better. These, otherwise amiable people, have been reckless in their denunciation of the financial policy of the State and

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have been indulging equally recklessly in statements which tended to convey the unfortunate, but erroneous impression that our financial condition is far from sound or satisfactory.

Let us look at the other side of the picture by an intelligent scrutiny of the figures both on the receipt and expenditure side from the year 1105. The year 1105 witnessed the onset of the unprecedented economic depression from the disastrous effects of which the civilised world has only begun to emerge. Travancore finances have stood remarkably well the stress and strain of the economic blizzard.

The adverse effect of the economic depression on the revenues of the State was first felt in the last quarter of 1105 and the revenue of the year was Rs 247 lakhs. During the succeeding two years, the revenue declined and stood at the lowest figure of Rs 219 lakhs in 1107. As a result of the receipt from the Cochin Harbour Scheme which was received for the first time in 1108, the revenue rose to Rs 234 lakhs during the two years 1108 and 1109. Due to the general and special remissions of the land tax sanctioned by Government in 1110, the revenue of the year again dropped to the level of 1106, *i. e.*, Rs 227 lakhs. Since then, it began to rise gradually and reached the high level of Rs 256 lakhs in 1112, mainly due to the special receipt on account of the refund by the British Government of the duty on Jaffna tobacco pooled for division in the apportionment of Cochin Harbour receipts in previous years. The revenue during 1113 was Rs 249 lakhs and if the special receipt under Customs in 1112, referred to above is excluded, it was an improvement on the revenue of 1112. During 1114 (current year) the ordinary revenue is expected to amount to Rs 256 lakhs which is the high level reached in 1112.

On a review of the receipts under the principal heads, it will be seen that Land Revenue which is more or less of a fixed character had been fluctuating from year to year on account of the prevailing economic depression and the failure of seasonal rains necessitating remission of tax. From Rs 39 lakhs in 1105, it dropped to Rs 33·9 lakhs in 1108 due to the separation of Kandukrishi revenue from Land Revenue and still further to Rs 30 lakhs in 1110, the lowest figure in the decade on account of the general remission of taxes. Sir, the policy and the spirit underlying land revenue remissions in Travancore are far more liberal than in British India or in the other Indian States with the result that the Government, ever solicitous of the welfare of the ryots, have sanctioned during the past decade remissions to the tune of about Rs 22 lakhs. Since 1110, Land Revenue steadily improved and went up to Rs 42·7 lakhs in 1112 as a result of better collections of the accumulated arrears of tax. With the registry of unregistered puduval lands the revenue is expected to improve still further. It is expected to stand at Rs 40 lakhs this year. Taxes on Income declined from Rs 6·5 lakhs in 1105 to Rs 3·8 lakhs in 1109. With the amendment of some of the provisions of the Act and the imposition of super-tax, the revenue under this head improved to Rs 9 lakhs in 1113 and is expected

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to keep up the same level this year also. Salt revenue in 1105 was Rs 18·7 lakhs. It rose to Rs 22 lakhs in 1107 as a result of the enhancement in that year of the duty on salt from B. Re 1-4-0 to B. Re 1-9-0 per maund in consonance with the increase of duty in British India. Since then, it had been maintaining the same level. Excise revenue including tobacco was greatly affected by the depression. A great deal of avoidable loss is due to the chronic smuggling on the frontiers. It dropped from Rs 61 lakhs in 1105 to Rs 48 lakhs in 1106. During the succeeding years it was more or less keeping the same level in spite of the fact that the duty on all kinds of tobacco was enhanced in 1108 and special arrangements at a heavy cost have also been made to prevent smuggling at our frontiers. Customs revenue had been progressing steadily except for the sharp fall in 1107 to Rs 27·9 lakhs on account of the reduction in the tariff values on our principal articles of export as a result of trade depression. The revenue from our forests declined from Rs 16.6 lakhs in 1105 to Rs 12 lakhs in 1108 due to the slump in the timber market. Since then, it has shown signs of improvement. With the activities of the Development Department, it is expected to show decided improvement in future years. The revenue from Stamps and Registration had been on the decline since 1105.

The expenditure of the State has also been growing from year to year with the normal expansion of the activities of the several departments. From Rs 240 lakhs in 1105, it has risen to Rs 251 lakhs in 1113 and again to Rs 257 lakhs in the current year in spite of of the retrenchments made in the services on the recommendations of the Retrenchment Committee in 1107. The increase is marked under Interest charges, Education, Medical and Public Health and Pensions. Interest charges have risen from Rs 4 lakhs in 1105 to Rs 11·6 lakhs in 1114 due to the increase in the loan amount raised for financing capital schemes and to the increase in the Savings Bank and other deposit balances. Education expenditure has gone up from Rs 42 lakhs in 1105 to Rs 48·8 lakhs in 1113 and still further to Rs 51 lakhs in the current year on account of the inauguration of the University of Travancore. The expenditure on Medical and Public Health has increased by Rs 3 lakhs during the period. As a result of the increase in the pension lists, pension charges have risen from Rs 9·5 lakhs in 1105 to Rs 15·6 lakhs in the current year.

The net result of the above variations has been that the first deficit after a series of surpluses from 1097 onwards was in 1106, the year in which the full effect of the depression was felt and it amounted to Rs 12 lakhs. As a result of the precautionary measures adopted by Government to reduce expenditure and to increase revenue it was possible during the subsequent years to avoid deficits or keep them at the lowest minimum. In 1112, however, on account of the special additional revenue from the Cochin Harbour Scheme, there was a revenue surplus of Rs 14·9 lakhs out of which Rs 12 lakhs was set apart as Reserve Fund to be drawn upon to meet unforeseen expenditure in lean years.

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Though we had been financing during this period large capital schemes both productive and non-productive to the extent of Rs 162·72 lakhs and Rs 148·78 lakhs respectively, we have raised a loan of only B. Rs 50 lakhs in the open market, the balance of the funds having been met from the resources available with Government. The financing of these schemes in this manner, instead of by loans, as is almost uniformally the case elsewhere and according to modern practice, is the sole reason why the Government balance has decreased.

It is therefore clear that almost every source of our revenue has considerably been augmented and yields today far higher income than the pre-depression days of plenitude and plenty and I do not at the same time ignore the fact that the paralysing consequences of the world-wide economic depression and the severely adverse seasonal conditions have had serious repercussions on the financial fabric of the State, so much so that our revenues went down to Rs 219 lakhs in 1107; and we were able to make up only Rs 227 lakhs in 1110. Barring these two years—thanks to the wise and cautious policy of a benign administration—the receipts recorded a satisfactory index of the increasing financial strength year after year. Today, the periodical contributions from the receipts of the Cochin Harbour, the imposition of the supertax and the increased receipts under customs revenue have enabled us to reach the peak figure of Rs 256 lakhs, while the Government have never been parsimonious in providing for the ever increasing demands of an advancing and progressive State. These increasing demands under expenditure have only served to establish the remarkable resilience of our finances, which, with the completion of the Pallivasal Hydro-Electric Scheme, the development of our Clay Refining Factory and the expansion of the Transport Service, are bound progressively to expand from next year onwards and vouchsafe to the State greater contentment and prosperity. I may, therefore, assure the House once again that *pace* the diatribes of our would-be critics, we are in an unassailably sound financial position and its soundness has been practically demonstrated by the fact that, notwithstanding the economic depression and the strain of intense political agitation the finances of the State have gone on from strength to strength without recourse to additional taxation save an Income and Super-Tax and with full increasing provision being made for ameliorative and nation-building services.

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